

Members:

Rep. Thomas Kromkowski, Chair  
Rep. Dan Stevenson  
Rep. Lawrence Buell  
Rep. Richard Mangus  
Sen. Joseph Harrison  
Sen. Thomas Weatherwax  
Sen. Joseph O'Day  
Sen. Allie Craycraft



## **PENSION MANAGEMENT OVERSIGHT COMMISSION**

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Lay Members:

Steve Meno  
William Daniels  
Connie Lux  
William Gettings, Jr.

LSA Staff:

James Sperlik, Fiscal Analyst for the Commission  
Edward Gohmann, Attorney for the Commission  
Susan Montgomery, Attorney for the Commission

Authority: IC 2-5-12-1

### **MEETING MINUTES**

Meeting Date: October 21, 1998  
Meeting Time: 10:00 A.M.  
Meeting Place: State House, 200 W. Washington St., Room 404  
Meeting City: Indianapolis, Indiana  
Meeting Number: 4

Members Present: Rep. Thomas Kromkowski, Chair; Rep. Lawrence Buell; Rep. Richard Mangus; Sen. Joseph Harrison; Sen. Thomas Weatherwax; Sen. Joseph O'Day; Sen. Allie Craycraft; Steve Meno; Connie Lux; William Gettings, Jr.

Members Absent: Rep. Dan Stevenson; William Daniels.

Rep. Kromkowski called the fourth meeting of the Pension Management Oversight Commission (PMOC) to order at 10:15 a.m. The minutes from the previous Commission meeting were approved by consent.

Rep. Kromkowski recognized Mr. Mark Webb, Acting Director of the Public Employees Retirement Fund (PERF). Mr. Webb introduced Mr. William Butler, Chief Operating Officer of the Ohio Police and Fire Retirement Fund. Mr. Webb told the Commission that Mr. Butler has been named the new director of PERF, effective in November.

### **1. PERF/TRF Issue Re-employment Provisions**

Rep. Kromkowski recognized Ms. Mary Beth Braitman of the law firm of Ice Miller Donadio & Ryan, outside counsel for both PERF and TRF. Ms. Braitman distributed a briefing paper on the re-employment issues contained in PD 3438.<sup>1</sup> The briefing paper also described the current statute and included two proposals. The current statute caps how much a person can earn in a covered position while receiving PERF and TRF benefits. Earnings more than the cap result in a suspension of benefits and a reinstatement into active membership in PERF and TRF. Ms. Braitman stated that one of the proposals ties the possible earnings before benefit suspension to \$15,500 and thereafter to a Consumer Price Index (CPI) indexed number. The second proposal retains the current Social Security index earnings limits, and simply clarifies the application of the limit and the time period.

In response to Commission questions, Ms. Braitman stated that the 90-day limit in both proposals would not affect teachers because there would not be a 90-day period in which they were not on the payroll. Ms.

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<sup>1</sup>This document is on file in the Legislative Information Center, Room 230 of the State House, Indianapolis, IN 46204, 317-232-9856.

Braitman further commented that while there are not many people affected by re-employment earnings cap, the trend is growing. She said that she has seen this issue in other states.

Mr. Doug Todd of McCready & Keene, Inc., actuaries for PERF, and Denise Jones of Gabriel Roeder Smith & Co., actuaries for TRF, both commented that the fiscal impact of the re-employment provision is difficult to quantify, but both proposals likely would have a minor fiscal impact on the Funds. Ms. Braitman said that this proposal would apply to early retirees as well. She also said the current cap applies to both PERF and TRF.

Rep. Kromkowski next recognized Mr. Phil Conklin, representing the Indiana Retired Employees Association. Mr. Conklin told the Commission that he favors the option tying the cap to the Social Security Index. Mr. Conklin also said that he thought the fiscal impact for the proposal would be minor. In response to a Commission question, Mr. Todd said that of the two options, the proposal leaving the earnings cap linked to the Social Security index would have the greater fiscal impact. Ms. Jones commented that this proposal might encourage more fund members to retire early.

Mr. Steve Moberly of the Indiana Retired Teachers Association told the Commission that his organization supports the proposal linking the earnings cap to Social Security. Ms. Norma Kacen of the Indiana State Teachers Association (ISTA) was recognized and said that ISTA strongly supports the same proposal. She said that it allows school corporations more flexibility in hiring retired teachers. Ms. Gail Pluta of the Indiana Federation of Teachers (IFT) said that the IFT also supports the proposal. She also said that this will not cause a big change in the number of retired teachers returning to work.

Rep. Kromkowski recognized Dr. Mary Pettersen, director of TRF. She told the Commission that either option would be acceptable to TRF. She said that proposal linking the cap to Social Security is easier to administer.

Rep. Kromkowski recognized Senator Allie Craycraft for a motion on the proposal before the Commission. Senator Craycraft so moved and it was seconded for the proposal tying the cap to the Social Security Index. The new proposal was contained in Section 2 of PD 3560.<sup>2</sup> Rep. Kromkowski called for a vote on Section 2 of PD 3560. The vote was 8-2 in favor of the proposal.

## **2. Survivor's Benefits**

Rep. Kromkowski recognized Sen. Craycraft. Sen. Craycraft asked Mary Beth Braitman to discuss a possible change in the Indiana Code provisions affecting the death benefit of a firefighter who, after fighting a fire, died later on his shift, not at the scene of the fire. Ms. Braitman distributed a copy of IC 36-8-8-14.1.<sup>3</sup> The proposed change broadens the concept of line of duty death by including the word "or" in two specific places in IC 36-8-8-14.1 (d) (1) and (2). These changes clarify that a person on active duty where a death occurs as a direct result of injury or illness would be covered by the survivor line of duty death benefits. Sen. Craycraft commented that he would like the effective date of this change to be retroactive to June 1, 1998, since the death of the firefighter in question occurred on June 2, 1998. After Commission discussion, the question of incorporating the changes to IC 36-8-8-14.1 as presented, with the effective date retroactive to June 1, 1998, was moved and seconded. Rep. Kromkowski called for a vote to make the recommended changes. A motion to recommend the presentation of a bill draft to the General Assembly based on the proposal passed 9-0.

## **3. Military Service Credit for TRF**

Rep. Kromkowski recognized Ms. Denise Jones of Gabriel Roeder Smith & Co., actuaries for TRF. Ms.

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<sup>2</sup>This document is on file in the Legislative Information Center (see footnote 1).

<sup>3</sup>This document is on file in the Legislative Information Center (see footnote 1).

Jones distributed a report on military service credit for current TRF retirees.<sup>4</sup> Ms. Jones told the Commission that her report surveyed 30,000 TRF retirees, with 4,000 responding. The average teaching service of those who responded was 30.7 years, with the average military service amounting to 2.5 years. The average age of the respondents was 71.9 years and the average current pension was \$11,184. The average increase in pensions if six years of military service were granted would be 7.8%. If the six years were granted, the increase in unfunded accrued liabilities would total \$24.2 million, with the increase in payout for the first year amounting to \$2.5 million and \$2.4 million in the second year.

In responding to a Commission question, Dr. Pettersen said that the current situation for military service credit for TRF is that (1) if a member had a degree and then entered the military and then taught; or (2) if the member was in school then went to the military service, and then back to school. Dr. Pettersen said that PERF recognizes military service in the same way as federal laws. Sen. Weatherwax commented that it might make it cheaper and easier to pass broader military service credit if the individual would be required to purchase the service. Sen. Harrison asked if any data on current active teachers and military service were available. Dr. Pettersen said that the same survey has been mailed to active teachers and that she expects the results within one month. Rep. Kromkowski commented that the military service issue is an issue of fairness and that he would have a bill drafted to accomplish the military service credit for TRF.

#### **4. Retired State Employee Health Insurance**

Rep. Kromkowski called upon Mr. Keith Beesley, an attorney for the State Department of Personnel, to comment on retired state employee health insurance issues. Mr. Beesley distributed a document which showed the current number of early retirees by type (single and family), the health plan under which they are covered and the current bi-weekly employer and employee costs.<sup>5</sup> Mr. Beesley said that the state offers the same insurance to retirees as it does to active state employees, but that the retiree must contribute both the employer and employee portions of the health insurance. Mr. Beesley also said that current health insurance claims experience reveals that it costs 2.134 times as much to insure a retiree as it does a non-retiree participant. Mr. Beesley referred to a memorandum from Commission staff regarding the cost of retiree health insurance.<sup>6</sup> Commission discussion on this topic centered around some possible alternatives, such as high-risk pool insurance. Rep. Kromkowski suggested that the Commission take a serious look at providing some type of retiree health insurance next summer during its deliberations. Rep. Kromkowski recognized Ms. Cordelia Lewis, representing the American Federation of State County and Municipal Employees (AFSCME). Ms. Lewis said that most retirees do not have a pension large enough to pay the health insurance premium.

#### **5. Unfunded Liabilities for TRF and Police and Fire Funds**

Rep. Kromkowski asked the Commission for its preference regarding language to be included in the Commission's Final Report on any additional funds to be appropriated for the unfunded liabilities of TRF and Police Officers and Firefighters' Funds. Sen. Craycraft suggested that the Commission include a specific dollar amount to start with. Sen. Harrison said that it was important to incorporate a statement that adequate funding be made rather than recommending a specific dollar amount in case a specific dollar amount cannot be determined. Language urging the General Assembly to appropriate money during the upcoming biennium for the TRF Pension Stabilization Fund and the Pension Relief Fund was read by staff.<sup>7</sup> A motion to include this language in the Final Report was moved and seconded. Rep. Kromkowski called for a vote on adopting the language. The measure passed 9-0.

#### **6. Draft of Commission Final Report**

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<sup>4</sup>This document is on file in the Legislative Information Center (see footnote 1).

<sup>5</sup>This document is on file in the Legislative Information Center (see footnote 1).

<sup>6</sup>This document is on file in the Legislative Information Center (see footnote 1).

<sup>7</sup>This document is on file in the Legislative Information Center (see footnote 1).

Draft copies of the Commission Final Report had been sent to members prior to the meeting. Rep. Kromkowski moved to accept the Draft Final Report. It was seconded by Rep. Mangus. Rep. Kromkowski called for a vote. The Draft Final Report was approved 9-0.

## **7. Other Business**

Rep. Kromkowski recognized Mr. Matt Brooks of the Association of Indiana Counties. Mr. Brooks made a brief presentation on changing the vesting period from ten years to eight years for five constitutional county offices. Mr. Brooks told the Commission that this is a fairness issue since the officeholders are limited by the Indiana Constitution to two four year terms and unless they secure another covered position, they are not eligible for a pension. Mr. Brooks said that this proposal covers about 50 people and that the fiscal impact would be minimal, about \$1,200 per year. Sen. Harrison suggested that the eight year vesting would not be fair to a deputy employee in one of the offices who would need ten years to vest.

Rep. Kromkowski told the Commission that he will have bills drafted in his name on the State Police COLA and see what concerns are raised. With no further business, Rep. Kromkowski adjourned the last meeting of the Commission at 11:50 a.m.

Subsequent to the fourth meeting, staff was informed of two corrections to the minutes of the October 7, 1998, meeting. First: the minutes refer to the Rule of 86 when the correct reference should be the Rule of 85. Second: the minutes state the Rule of 85 is applicable to the 1985 Judges' Plan as contained in PD 3338. As drafted, PD 3338 includes both the 1977 Judges' Plan and the 1985 Judges' Plan in the Rule of 85.